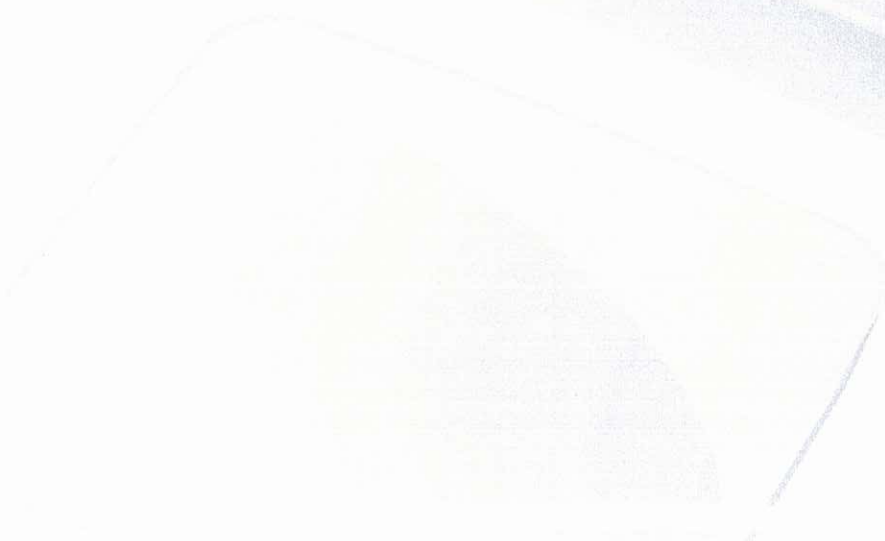




Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Separate Interim Financial Statements
For The Three Months Ended March 31, 2017
And The Limited Review Report





Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Separate Interim Financial Statements
For The Three Months Ended March 31, 2017
And The Limited Review Report

Index

<u>Explanation</u>	<u>Page Number</u>
- Limited Review Report	1:2
- Condensed Separate Statement of Financial Position	3
- Condensed Separate Income Statement	4
- Condensed Separate Statement of Comprehensive Income	5
- Condensed Separate Statement of Changes in Equity	6
- Condensed Separate Statement of Cash Flows	7
- Notes to the Condensed Separate Interim Financial Statements	8:25



Hazem Hassan

Public Accountants & Consultants

Pyramids Heights Office Park
Km 22 Cairo/Alex Road
P.O. Box 48 Al Ahram
Giza - Cairo - Egypt

Telephone : (202) 35 36 22 00 - 35 36 22 11
Telefax : (202) 35 36 23 01 - 35 36 23 05
E-mail : egypt@kpmg.com.eg
Postal Code : 12556 Al Ahram

Translation from Arabic

Limited Review Report on The Condensed Separate Interim Financial Statements To The Board of Directors of Telecom Egypt Company

Introduction

We have performed a limited review on the accompanying condensed separate statement of financial position of Telecom Egypt Company “an Egyptian joint stock company” as at March 31, 2017 and the related condensed separate statements of income, comprehensive income, changes in equity and cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these condensed separate interim financial statements in accordance with Egyptian Accounting Standard number (30) “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed separate interim financial statements based on our limited review.

Scope of Limited Review

We conducted our limited review in accordance with Egyptian Standard on Review Engagements number (2410), "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A limited review of condensed separate interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these condensed separate interim financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying condensed separate interim financial statements do not present fairly, in all material respects, the financial position of the company as at March 31, 2017 and of its financial performance and its cash flows for the three months then ended in accordance with Egyptian Accounting Standard number (30) “Interim Financial Reporting”.



Hazem Hassan

Translation from Arabic

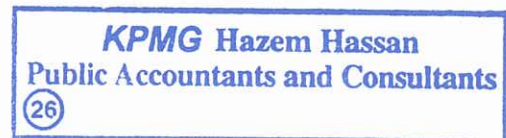
Emphasis of Matter

Without qualifying our conclusion, we draw attention to note no. (29-1) of the notes to the condensed separate interim financial statements, which describes the dispute between the company and Orange Egypt Company (previously named Mobinil) in regards to the interconnection rates. Several resolutions were issued by the National Telecommunication Regulatory Authority (NTRA) determining the interconnection rates based on the complaint filed by the company. As a result, Orange filed lawsuits for ceasing the implementation of the said resolutions. In addition, to the lawsuits and arbitral, litigations filed by or against the company and Orange, several rulings were issued but were appealed before the relevant authorities. These litigations and appeals are still under deliberation before the court and the arbitral tribunals and the final ruling has not been issued yet.

According to the opinion of the company's legal consultant, the company has the right to apply the interconnection rates used between Mobile Operators, and that the company's position is based on the relevant agreements and laws, and there are several arbitral and judicial stages to finalize this dispute. It is difficult, in the meantime to determine the outcome of the above mentioned lawsuits and arbitral litigations till the final ruling of the judicial and arbitral bodies is issued.

**KPMG Hazem Hassan
Public Accountants & Consultants**

Cairo, May 14, 2017





Translation from Arabic

Telecom Egypt Company

(An Egyptian Joint Stock Company)

Condensed Separate Statement of Financial Position As of:

	Note	31/3/2017	31/12/2016
	No.	L.E. (000)	Reclassified L.E. (000)
Assets			
Non Current Assets			
Fixed assets	(11)	14 299 533	13 872 262
Projects in progress	(12)	7 367 580	7 384 247
Investments in subsidiaries and associates	(13)	6 377 283	6 377 283
Available-for-sale investments		81 273	81 273
Other assets	(14)	1 357 208	1 363 904
Deferred tax assets	(24-1)	361 451	408 552
Total Non Current Assets		29 844 328	29 487 521
Current Assets			
Inventories	(15)	626 328	612 467
Trade receivables	(16)	4 503 153	4 652 069
Debtors and other debit balances	(17)	1 515 428	1 613 138
Held-to-maturity investments - treasury bills		106 218	101 922
Cash and cash equivalents	(18)	949 516	530 195
Total Current Assets		7 700 643	7 509 791
Total Assets		37 544 971	36 997 312
Equity			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	4 550 115	4 380 491
Retained earnings		3 094 942	4 782 442
Total Equity		24 715 773	26 233 649
Non Current Liabilities			
Loans and credit facilities	(19)	599 961	626 235
Creditors and other credit balances	(20)	93 184	114 226
Deferred tax liabilities	(24-1)	183 407	317 167
Total Non Current Liabilities		876 552	1 057 628
Current Liabilities			
Loans and credit facilities installments due within one year	(19)	2 945 571	2 710 704
Creditors and other credit balances	(20)	8 152 699	5 937 674
Provisions	(21)	854 376	1 057 657
Total Current Liabilities		11 952 646	9 706 035
Total Liabilities		12 829 198	10 763 663
Total Equity and Liabilities		37 544 971	36 997 312

The attached notes on pages (8) to (25) are an integral part of these condensed separate interim financial statements.

Financial Director

Wael Hanafy

"Wael Hanafy"

Financial Officer Senior
Director

Shaher Shokry

"Shaher Shokry"

Chief Financial Officer

M. Shamroukh

"Mohamed Shamroukh"

Managing Director
& Chief Executive Officer

Ahmed El Beheiry

"Ahmed El Beheiry"

Board of Directors approval

Chairman

M.O

Limited review report "attached"

Maged Osman



Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Separate Income Statement

	Note No.	<u>For the three months ended</u>	
		<u>31/3/2017</u>	<u>31/3/2016</u>
		<u>L.E.(000)</u>	<u>Restated L.E.(000)</u>
Operating revenues	(3)	3 587 225	2 581 117
Operating cost	(4)	(1 984 981)	(1 409 167)
Gross Profit		1 602 244	1 171 950
Other income		66 521	87 104
Selling and distribution expenses	(5)	(268 023)	(255 259)
General and administrative expenses	(6)	(380 848)	(387 285)
Other expenses		(42)	(40 108)
Operating profit		1 019 852	576 402
Finance income		22 233	417 976
Finance cost		(154 293)	(2 054)
Net finance (cost) \ income	(7)	(132 060)	415 922
Income from investments in subsidiaries	(8)	81 046	1 702
Profit before tax		968 838	994 026
Income tax expense		(298 200)	(171 363)
Deferred tax	(24-1)	86 659	(648)
Total income tax		(211 541)	(172 011)
Profit for the period		757 297	822 015
Basic earnings per share for the period (L.E. / Share)	(10)	0.44	0.48

The attached notes on pages (8) to (25) are an integral part of these condensed separate interim financial statements.



Translation from Arabic

Telecom Egypt Company

(An Egyptian Joint Stock Company)

Condensed Separate Statement of Comprehensive Income

	<u>For the three months ended</u>	
	<u>31/3/2017</u>	<u>31/3/2016</u>
		<u>Restated</u>
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Profit for the period	757 297	822 015
<u>Other Comprehensive Income Items</u>		
Other Comprehensive Income	-	-
Total Comprehensive Income	<u>757 297</u>	<u>822 015</u>

The attached notes on pages (8) to (25) are an integral part of these condensed separate interim financial statements.



Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Separate Statement of Changes In Equity
For the Three Months Ended March 31, 2017

	Capital L.E. (000)	Legal reserve L.E. (000)	Other reserves L.E. (000)	Retained earnings L.E. (000)	Total L.E. (000)
Balance as of 1/1/2016	17 070 716	1 520 837	4 796 578	1 289 817	24 677 948
<u>Comprehensive income</u>					
Profit for the period (restated)	-	-	-	822 015	822 015
Other comprehensive income items	-	-	-	-	-
Total comprehensive income (restated)	-	-	-	822 015	822 015
<u>Transactions with shareholders</u>					
Transferred from general reserve to retained earnings	-	-	(2 000 000)	2 000 000	-
Transferred to legal reserve	-	63 076	-	(63 076)	-
Dividends for year 2015 (Shareholders)	-	-	-	(1 280 304)	(1 280 304)
Dividends for year 2015 (Employees & Board of Directors)	-	-	-	(556 465)	(556 465)
Total transactions with shareholders	-	63 076	(2 000 000)	100 155	(1 836 769)
Balance as of March 31, 2016 (restated)	17 070 716	1 583 913	2 796 578	2 211 987	23 663 194
Balance as of 1/1/2017	17 070 716	1 583 913	2 796 578	4 782 442	26 233 649
<u>Comprehensive income</u>					
Profit for the period	-	-	-	757 297	757 297
Other comprehensive income items	-	-	-	-	-
Total comprehensive income	-	-	-	757 297	757 297
<u>Transactions with shareholders</u>					
Transferred to legal reserve	-	169 624	-	(169 624)	-
Dividends for year 2016 (Shareholders)	-	-	-	(1 707 071)	(1 707 071)
Dividends for year 2016 (Employees & Board of Directors)	-	-	-	(568 102)	(568 102)
Total transactions with shareholders	-	169 624	-	(2 444 797)	(2 275 173)
Balance as of March 31, 2017	17 070 716	1 753 537	2 796 578	3 094 942	24 715 773

The attached notes on pages (8) to (25) are an integral part of these condensed separate interim financial statements.



Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Separate Statement of Cash Flows

	Note No.	For the three months ended:	
		31/3/2017	31/3/2016
		L.E.(000)	L.E.(000)
<u>Cash flows from operating activities</u>			
Cash receipts from customers		3 598 388	2 333 254
Sales tax collected from customers		76 065	61 901
Stamp tax and fees collected (from third party)		21 385	24 256
Deposits returned to customers		53	2 095
Cash paid to suppliers		(397 663)	(310 215)
Payments of NTRA license fees		(31 811)	(46 647)
Dividends paid to employees		(14)	(338)
Cash paid to employees		(619 255)	(683 006)
Cash paid on behalf of employees to third party		(140 950)	(132 297)
Cash provided by operating activities		2 506 198	1 249 003
Interest paid		(6 856)	(3 409)
Payments to Tax Authority - sales tax		(479 663)	(165 148)
Payments to Tax Authority - other taxes		(187 228)	(106 495)
Other (payments) / proceeds		(15 599)	231 463
Net cash provided by operating activities		1 816 852	1 205 414
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets and projects in progress		(1 609 660)	(805 617)
Payments for purchase of other assets - Fourth generation network license		(96 542)	-
Interest received		4 950	10 417
Dividends collected from investments		88 916	377 496
Proceeds from securities - treasury bills interest		-	12 467
Net cash used in investing activities		(1 612 336)	(405 237)
<u>Cash flows from financing activities</u>			
Payments for loans and other facilities		(88 856)	(40 139)
Proceeds from credit facilities		303 661	-
Net cash provided by (used in) financing activities		214 805	(40 139)
Net change in cash and cash equivalents during the period		419 321	760 038
Cash and cash equivalents at the beginning of the period	(18)	520 730	1 636 917
Cash and cash equivalents at the end of the period	(18)	940 051	2 396 955

The attached notes on pages (8) to (25) are an integral part of these condensed separate interim financial statements.



Telecom Egypt Company
(An Egyptian Joint Stock Company)

Notes to the Condensed Separate Interim Financial Statements
For The Three Months Ended March 31, 2017

1. BACKGROUND

1-1 Legal Entity

- Arab Republic of Egypt National Telecommunication Organization (ARENTO) was established according to Law No.153 of 1980. Effective from March 27, 1998 and according to law No.19 of 1998, the legal form of (ARENTO) was amended after the revaluation of its assets on March 26, 1998 to become "Telecom Egypt Company" (TE).
- Telecom Egypt Company (the "Company") is an Egyptian Joint Stock Company registered in the Arab Republic of Egypt and is engaged in the provision of public communications and associated products and services.
- The company is subject to the provisions of the Companies Law No. 159 of 1981 and Capital Market law No. 95 of 1992.
- The registered office of the company is 26 Ramses Street, Cairo, Egypt.
- The nominal shares for the company are traded in the Egyptian Stock Exchange and the London market for securities.

1-2 Purpose of the company

The main purpose of the company represents in the following:

- Owning, setting up, operating, maintenance and development of telecommunication networks and infrastructure necessary for communication services for using and / or managing and / or leasing to others and / or dealing on them.
- Providing voice, video and data transmission telecommunication services to subscribers and / or managing and / or leasing to others and / or dealing on them.
- Participating or contributing to global communication systems, such as: - submarine cables and satellites and obtaining capacities or circuits for using and / or managing and / or leasing to others and / or dealing on them.
- Dealing or contracting or Participating with authorities, agencies, companies, organizations or any entity exercising an activity similar to or identical to the company's activities or relates or assists the company to achieve its purposes either in Arab Republic of Egypt or abroad.
- Managing, selling, leasing, purchasing, possessing, renting and dealing on any property and rights or benefit or right in any property. Including the movable and immovable property which could be acquired or owned by the company.
- Selling, purchasing and distributing of fixed line sets, mobile phones and computers, its peripherals, accessories and supplies, complementary devices and necessary spare parts and related maintenance works.
- Setting up voice, video and written data transmission networks and providing value-added services, content services, marketing, electronic signature and online money transfer.
- Investment properties for serving its purposes and executing its projects.

1-3 Issuance of the condensed separate interim financial statements

- These Condensed Separate Interim Financial Statements were approved by the company's Board of Directors for issuance on May 14, 2017.

2. BASIS OF PREPERATION OF THE CONDENSED SEPARATE INTERIM FINANCIAL STATEMENTS

2-1 Statement of compliance

- These Condensed Separate Interim Financial Statements as of March 31, 2017 have been prepared in accordance with Egyptian Accounting Standard No.30 "Interim Financial Reporting" accordingly it is condensed comparative view to the annual separate financial statements for the company, and in the light of applicable Egyptian laws and regulations.
- These condensed separate interim financial statements don't include all the required information needed for preparing the full annual financial statements and must be read with the annual separate financial statements as of December 31, 2016.

2-2 Basis of measurement

These Condensed Separate Interim Financial Statements have been prepared under the historical cost basis, except for certain financial investments which are evaluated at fair value in according to the Egyptian Accounting Standards.



*Notes To The Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2017 (continued)*

Translation from Arabic

For presentation purposes, the current and non-current classification has been used for the condensed separate statement of Financial Position, while expenses are analyzed in condensed separate statement of income using a classification based on their function. The direct method has been used in preparing the condensed separate statement of cash flows.

2-3 Functional and presentation currency

These Condensed Separate Interim Financial Statements are presented in Egyptian pound (LE), which is the Company's functional currency. All financial information presented in "L.E." has been rounded to the nearest thousands unless otherwise stated.

2-4 Use of estimates

The preparation of the condensed separate interim financial statements in conformity with Egyptian Accounting Standards that requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other various factors that are supposed to be reasonable under the circumstances, the results of these assumption represent the judgmental basis for the value of assets and liabilities that may not apparently available from other sources. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on ongoing basis. Accounting recognition estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about the most significant accounts used the estimation and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed separate interim financial statements is included in the following notes:

- Impairment of financial and non-financial assets.
- Provisions and contingencies.
- Deferred tax assets.
- Operational useful life of fixed assets.

2-5 Fair value measurement

The fair value of financial instruments is determined based on the market value of the financial instrument or similar financial instruments at the date of the condensed separate interim financial statements without deducting any estimated future selling costs. The financial assets values are determined with the current purchase prices; however, the financial liabilities values are determined with the current prices that could settle these liabilities.

In case there is no active market to determine the fair value of the financial instruments, the fair value is estimated using different valuation techniques taking into consideration the prices of the latest transactions, and use the current fair value of the similar financial instruments as guideline – the discounted cash flows technique or any other valuation methods that results reliable values.

When the discounted cash flows is used as a valuation technique, the future cash flows are estimated based on the management best estimate. The discount rate used is determined in line with the market rate at the date of the financial statements for the similar financial instruments in nature and conditions.

2-6 Segment reporting

Operating activities related to the company is managed by operating segments at the group activates level as integrated activity, based on the nature of product and the service provided. The segment reporting is prepared according to segments of activities as a group as follows:

- Communications, marine cables and infrastructure segment.
- Internet services segment.
- Outsourcing services segment



Notes To The Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2017 (continued)

Translation from Arabic

3. OPERATING REVENUES

	For the three months ended	
	31/3/2017	31/3/2016
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Home	354 061	354 728
Enterprise	302 359	352 758
Domestic wholesale	1 527 404	1 105 765
International carriers	1 186 638	646 876
International cables and networks	216 763	120 990
	<u>3 587 225</u>	<u>2 581 117</u>

Total operating revenues have increased by an amount of L.E. 1 006 108 K due to the increase in domestic wholesale by an amount of L.E. 421 639 K as a result of the increase in infrastructural revenue especially provided to TE Data (subsidiary company) by an amount of L.E. 256 385 K and access service revenue by an amount of L.E. 159 965 K in addition to the increase in international carriers revenues by an amount of L.E. 539 762 K as a result of increase in foreign currencies exchange rates, however the decrease in enterprise revenues by an amount of L.E. 50 399 K due to decrease in access service revenues which led to limitation from this increase.

4. OPERATING COSTS

	For the three months ended	
	31/3/2017	31/3/2016
	<u>L.E. (000)</u>	<u>Restated L.E. (000)</u>
Interconnection cost	942 492	494 910
Depreciation and amortization*	339 983	272 374
Other operating cost*	702 506	641 883
	<u>1 984 981</u>	<u>1 409 167</u>

Operating costs have increased by an amount of L.E. 575 814 k is mainly due to the following: -

- The increase of interconnection cost by an amount of L.E. 447 582 K which is mainly due to the increase in international fees of transit service and international connection cost due to increase of foreign exchange currencies rate during this period against the same period in 2016.
- The increase in the depreciation and amortization item by an amount of L.E 67 609 K due to the additions of fixed assets of the last year after the first quarter and the current period.
- The increase of salaries and wages item to an amount of L.E. 40 874 K due to the annual increase by 15 % from the basic salary starting from January 2017 in addition to the increase of frequencies and licenses charges item by an amount of L.E 18 958 K due to the increase in revenues of the current period.

* Restatements and Reclassifications were made to comparative figures as shown in Note no (30-2).



Notes To The Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2017 (continued)

Translation from Arabic

5. SELLING AND DISTRIBUTION EXPENSES

	<u>For the three months ended</u>	
	<u>31/3/2017</u>	<u>31/3/2016</u>
	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Salaries & wages *	179 840	150 475
Company's social insurance contribution*	20 770	18 956
Discount allowed	47 016	46 024
Advertising & marketing	15	14 859
Organizations service cost	17 428	18 811
Other expenses	2 954	6 134
	<u>268 023</u>	<u>255 259</u>

The increase in selling and distribution expenses by an amount of L.E 12 764 K due to the increase in salaries and wages by an amount of L.E. 31 162 K due to the annual increase by 15 % from the basic salary starting from January 2017, however the decrease in advertising & marketing item by an amount of L.E 14 844 K led to limitation this increase.

*Reclassification was made to comparative figures as shown in Note no (30-2).

6. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>For the three months ended</u>	
	<u>31/3/2017</u>	<u>31/3/2016</u>
	<u>L.E. (000)</u>	<u>Restated L.E. (000)</u>
Salaries and wages *	246 949	263 171
Company's social insurance contribution *	27 856	25 469
End of service compensation - early retirement program	-	484
The company's contribution in loyalty and belonging fund	-	47 552
Depreciation*	7 563	6 666
Tax and duty*	22 165	14 079
Service cost from organizatios and consultations	69 884	16 501
Other expenses*	6 431	13 363
	<u>380 848</u>	<u>387 285</u>

The decrease in general and administrative expenses by an amount of L.E. 6 437 K is mainly due to the decrease in the company's contribution in loyalty and belonging fund item by an amount of L.E. 47 552 K, however the increase in service cost from organization and consultations item by an amount of L.E 53 383 K led to limitation this decrease.

* Restatements and Reclassifications were made to comparative figures as shown in Note no (30-2).



7. NET FINANCE (COST) \ INCOME

	<u>For the three months ended</u>	
	<u>31/3/2017</u>	<u>31/3/2016</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Total finance income	22 233	417 976
Total finance cost	(154 293)	(2 054)
Net finance (cost) \ income	(132 060)	415 922

The decrease in net finance (cost) \ income by an amount of L.E 547 982 K during the period is mainly due to the decrease in net gain for the translation of foreign currencies balances by an amount of L.E 531 129 K which realized loss during the current period by and amount of L.E 135 681 K.

8. INCOME FROM INVESTMENT IN SUBSIDIARIES

	<u>For the three months ended</u>	
	<u>31/03/2017</u>	<u>31/03/2016</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
TE-Data	76 000	-
Middle East Radio Communications (MERC)	1 921	1 702
The Egyptian Telecommunication Company for information systems (Xceed)	3 125	-
	81 046	1 702

This income is represented in the company's share in the cash dividends from investment according to the decree of the General Assembly of investees.

9. EMPLOYEE'S BENEFITS

9-1 Early retirement scheme

The Company had an early retirement scheme where employees who wishes to retire, prior to the legal retirement age, are entitled to receive a compensation amounting to 75% of their latest basic salary for the remaining service period up to the retirement age with a maximum of 10 years for men and 15 years for women – by the date of 30/3/2016, internal instructions no. 9 were issued related to apply the optional early retirement for employees during the period from 3/4/2016 until 31/5/2016 the employees who wishes to retire prior to the legal retirement age are entitled to receive a compensation amounting to 125% of their latest basic salary for the remaining service period up to the retirement age with a maximum of 15 years. Compensations relating to early retirement amounted to nil for the period ended March 31, 2017 (against LE 488 K for the same period as of the year 2016) are included in general and administrative expenses note no (6) and now the company doesn't apply any early retirement scheme.



9-2 End of service benefits (Company's Contribution in Loyalty & Belonging Fund)

The employees are granted an end of service benefits through a Loyalty & belonging Fund established in January 2004. Employees' benefit are based on the employees' basic salary in January 1, 2012 increasing annually at a compound rate of 5%. The subscription for employees hired after January 1, 2012, is calculated according to a subscription schedule for new hires (starting of hiring date 1/1/2012) and increasing at a compound rate of 5% starting from the next year from the hiring date with the same conditions of annual raise of employees.

The employees share in loyalty & belonging fund according to constant subscription are based on the same employees' basic salary where the end of service benefit calculated. The contribution in loyalty and belonging fund for the period ended March 31, 2017 amounted to nil (against L.E. 47 552 K for the same period as of the year 2016). The Company's contribution is included in general and administrative expenses as shown in note no (6).

10. BASIC EARNINGS PER SHARE.

	<u>For the three months ended</u>	
	<u>31/3/2017</u>	<u>31/3/2016</u> <u>Restated</u>
Profit for the period (LE (000))	757 297	822 015
Number of shares available during the period	1707 071 600	1707 071 600
Basic earnings per share for the period (LE / share)	<u>0.44</u>	<u>0.48</u>

11. FIXED ASSETS

Description	31/3/2017	31/12/2016	31/3/2017	31/12/2016	31/3/2017	31/12/2016
	Cost	Cost	Accumulated depreciation	Accumulated depreciation	Net	Net
	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Land	2 368 972	2 368 972	-	-	2 368 972	2 368 972
Buildings & Infrastructure*	23 086 939	22 673 219	14 337 231	14 151 976	8 749 708	8 521 243
Centrals and information technology equipment	21 889 555	21 572 635	18 845 377	18 733 910	3 044 178	2 838 725
Vehicles	139 798	140 374	104 547	103 993	35 251	36 381
Furniture	298 309	297 544	224 629	219 600	73 680	77 944
Tools & supplies	96 055	95 862	68 311	66 865	27 744	28 997
Total	<u>47 879 628</u>	<u>47 148 606</u>	<u>33 580 095</u>	<u>33 276 344</u>	<u>14 299 533</u>	<u>13 872 262</u>

- The increase of the assets net book value is mainly due to the additions during the period by an amount of L.E 736 923 K, but the depreciation amounted of L.E 323 613 K during the period led to limitation of this increase.

- The cost of fixed assets as of March 31, 2017 includes an amount of L.E. 22 738 million fully depreciated fixed assets and still in use.

*Reclassification was made to comparative figures as shown in Note no (30-1).



12. PROJECTS IN PROGRESS

	31/3/2017	31/12/2016
	<u>LE (000)</u>	<u>LE (000)</u>
Land	15 576	15 576
Buildings and Infrastructure	504 448	536 324
Furniture	233	250
Centrals and information technology equipment	757 598	841 190
Other Assets (cables)	411 265	407 681
Advanced payments	277 656	289 428
Other assets (fourth generation network license 4G)*	5 400 804	5 293 798
	<u>7 367 580</u>	<u>7 384 247</u>

The balance of projects in progress is represented in the part that have been excuted from commitments and capital contracts until March 31, 2017 and related advance payment

*This item is represented in the amount paid for obtaining Fourth generation network license ,TE obtained license to provide 4G license from the National Telecommunication Regulatroy Authority (NTRA), under the terms of the granted license, Telecom Egypt can establish, operate and manage a full-fledged mobile operation to service the Egyptian market, effective from August 31, 2016.

The summary of the license agreement as follows:

1. 4G spectrum of 2×5 MHZ in the frequency band 1800 MHZ and 2×10 MHZ in frequency band 700 MHZ for the period which is extended to 15 years from the signature date of license.
2. The value of the license is equivalent to EGP 7 080 Million, of which equivalent to EGP 5 200 Million is to be paid up front by 50% paid in Egyptian pound and 50% paid in US dollar.
3. The remaining portion will be paid in equal installments over the next Four years, 50% paid in Egyptian pound, 50% paid in US dollar.
4. The initial license term is for a period of 15 years from the signature date of license.
5. Telecom Egypt has conditional right to renew the license for another Five years, with renewal fee up to EGP 2 000 million, to be paid at year 15 from the date of license.
6. Specified annual fixed fees in license in addition to percentage of annual revenue which is specified in the license.
7. The amount of the license includes EGP 200 804 K which is represented in the finance cost of credit facilities which granted to the company to finance part of the license, the company is currently completing the equipment and necessary initial infrastructure for operating the fourth generation network license.



Notes To The Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2017 (continued)

Translation from Arabic

13. INVESTMENTS IN SUBSIDIARIES & ASSOCIATES

	<u>31/3/2017</u>		<u>31/12/2016</u>	
	<u>Ownership</u>	<u>Amount</u>	<u>Ownership</u>	<u>Amount</u>
	<u>%</u>	<u>L.E. (000)</u>	<u>%</u>	<u>L.E. (000)</u>
- Telecom Egypt France (TE France)	100.00	69 220	100.00	69 220
- TE Data	99.99	252 461	99.99	252 461
- TE Investment Holding	99.95	39 980	99.95	39 980
- Egyptian Telecommunication for Information System	97.66	31 250	97.66	31 250
- Centra Technology	58.76	14 737	58.76	14 737
- Wataneya for Telecommunications	50.00	125	50.00	125
- International Telecommunications Consortium limited (ITCL)	50.00	54	50.00	54
- Middle East Radio Communication	49.00	7 350	49.00	7 350
- Vodafone Egypt Telecommunications Company	44.95	5 960 054	44.95	5 960 054
- Egypt Trust	35.71	7 500	35.71	7 500
- Consortium Algerien de Telecommunications	33.00	133	33.00	133
- Sofisat company	25.00	-	25.00	-
		<u>6 382 864</u>		<u>6 382 864</u>
<u>Payments for investments purchase</u>				
- Egypt Trust *		2 500		2 500
		<u>6 385 364</u>		<u>6 385 364</u>
<u>Less:</u>				
Impairment loss on investments of :-				
Consortium Algerien de Telecommunications, International Telecommunications Consortium Limited, Egypt Trust, Wataneya for Telecommunications and Telecom Egypt France		8 081		8 081
		<u>6 377 283</u>		<u>6 377 283</u>

* The company has been underwriting in the remaining 25% that represent share's in Egypt Trust capital and the commercial registration related to is in process .



Notes To The Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2017 (continued)

Translation from Arabic

14. OTHER ASSETS

	31/3/2017	31/12/2016
	<u>L.E. (000)</u>	<u>Reclassified</u> <u>L.E. (000)</u>
Cost		
Submarine cables (right of way)*	1 257 435	1228 303
Land (possession-usufruct)	440 684	440 684
Licenses and programs	56 382	56 382
	<u>1 754 501</u>	<u>1 725 369</u>
Less:		
Accumulated amortization	397 293	361 465
Net carrying amount	<u>1 357 208</u>	<u>1 363 904</u>

- Other assets amortization is charged to operating costs.

*Reclassification was made to comparative figures as shown in Note no (30-1).

15. INVENTORIES

	31/3/2017	31/12/2016
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Spare parts	434 360	445 918
Material supplies , Merchandise for sale and Letters of credit	104 496	89 812
Others – project cables and supplies	87 472	76 737
	<u>626 328</u>	<u>612 467</u>

The value of inventories were written down by an amount of L.E. 22 294 K (against L.E. 22 294 K as at December 31, 2016) for obsolete and slow moving items directly from the cost of each type of inventory.

16. TRADE RECEIVABLES

	31/3/2017	31/12/2016
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Trade Receivables - National	4 637 863	4 071 640
Trade Receivables - International	2 450 464	3 165 603
	<u>7 088 327</u>	<u>7 237 243</u>
Less:		
Impairment loss on trade receivables	2 585 174	2 585 174
	<u>4 503 153</u>	<u>4 652 069</u>

Trade receivables balance decreased by an amount of L.E. 148 916 K which is mainly due to the decrease in trade receivables – international represented in balances of trade receivables - international carrier by an amount of L.E 481 544 K and decrease in trade receivables – international cables and networks by an amount of L.E. 233 595 K, however the increase of trade receivables – domestic whole sale by an amount of L.E 675 587 K which led to limitation of this decrease.



Notes To The Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2017 (continued)

Translation from Arabic

17. DEBTORS AND OTHER DEBIT BALANCES

	31/3/2017	31/12/2016
	<u>LE (000)</u>	<u>LE (000)</u>
Accrued revenues	16 654	16 377
Suppliers – debit balances	119 836	47 617
Tax Authority - withholding tax	161 790	123 535
Due from organizations and companies	268 808	268 133
Payments on the account of income tax	71 916	24 916
Payments on the account of employees dividends	–	288 956
Other debit balances	1 007 425	974 722
	<u>1 646 429</u>	<u>1 744 256</u>
Less:		
Impairment loss on debtors and other debit balances	131 001	131 118
	<u>1 515 428</u>	<u>1 613 138</u>

Debtors and other debit balances decreased by an amount of L.E. 97 710 K mainly due to the settlement of payments on the account of employees dividends for year 2016 after the approval of dividends by the General Assembly of the company decree, however the increase of suppliers - debt balance, tax authority – withholding tax and other debit balances items by an amount of L.E 72 219 K, L.E 38 255 K and L.E 32 703 K respectively led to limitation of this decrease.

18. CASH AND CASH EQUIVALENTS

	Note	31/3/2017	31/12/2016
	<u>No.</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Banks - time deposits (less than 3 months)		1 097 369	584 551
Banks - current accounts		(153 141)	(57 047)
Cash on hand		5 288	2 691
Cash and cash equivalents		<u>949 516</u>	<u>530 195</u>
Less:			
Restricted time deposits	(26)	9 465	9 465
Cash and cash equivalents as per cash flows statement		<u>940 051</u>	<u>520 730</u>

19. LOANS AND CREDIT FACILITIES

- The increase in the balance of loans and credit facilities by an amount of L.E 208 593 K mainly resulting from obtaining of credit facilities from banks with local currencies amounted to L.E. 2 885 208 K (against LE 2 521 031 K for the year ended 31 December, 2016), taking into consideration that this balance includes foreign suppliers facilities in Euro amounted to L.E. 1 535 K equivalent to Euro 79 K against letters of guarantee issued by National Bank of Egypt in favor of "Siemens" as a guarantee for payment of this facility and there are no other guarantees.



Notes To The Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2017 (continued)

Translation from Arabic

20. CREDITORS AND OTHER CREDIT BALANCES

	31/3/2017	31/12/2016
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Suppliers	749 720	564 102
Tax Authority-Income Tax	643 140	344 940
Tax Authority (taxes other than income tax)	282 254	165 797
Deposits from others	638 087	645 747
Accrued expenses	333 921	309 369
Trade receivables - credit balances	297 062	132 028
Fixed assets creditors	1 549 678	2 472 507
Accrued interest	11 816	6 608
Deferred revenues	447 365	-
Public Authority for Social Insurance	41 845	37 531
Dividends payable	1 986 974	770
Due to organizations and companies	603 746	829 019
National Telecommunication Regulatory Authority (NTRA)	253 977	207 315
Other credit balances	406 298	336 167
	<u>8 245 883</u>	<u>6 051 900</u>

Less:

Credit balances due to organizations and companies within more than one year	93 184	114 226
	<u>8 152 699</u>	<u>5 937 674</u>

Creditors and other credit balances have been increased by an amount of L.E. 2 193 983 K mainly due to the increase in dividends payable item by an amount of L.E. 1 986 204 K due to 2016 dividends according to General Assembly decree on March 28, 2017, deferred revenue item by an amount of L.E 447 365 K and suppliers item by an amount of L.E 185 619 K, however the decrease in fixed assets creditors item by an amount of L.E 922 829 K led to limitation this increase.

21. PROVISIONS

	31/3/2017	31/12/2016
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Balance at the beginning of the period / year	1 057 657	996 790
Reclassification during the period/year	-	(14 312)
Charged to income statement for the period / year	-	477 145
Used during the period / year	(203 281)	(401 966)
Balance at the end of the period / year	<u>854 376</u>	<u>1 057 657</u>



22. CAPITAL

- The company's issued and fully paid-up capital is L.E. 17 070 716 K, represented in 1 707 071 600 shares at a par value of LE 10 each.
- The Egyptian Government owns 80% after floating 20% of company's shares in public offering during December 2005.

23. RESERVES

	31/3/2017	31/12/2016
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Legal reserve	1 753 537	1 583 913
Other reserves	2 796 578	2 796 578
	<u>4 550 115</u>	<u>4 380 491</u>

The balance of legal reserve has increased as a result of retaining an amount of L.E. 169 624 K from 2016 net profit in accordance with the company's articles of association.

24. DEFERRED TAX

24-1 Deferred tax assets and liabilities

	<u>31/3/2017</u>		<u>31/12/2016</u>	
	Assets	Liabilities	Assets	Liabilities
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Total deferred tax asset	361 451	183 407	408 552	317 167
Net deferred tax asset	<u>178 044</u>	<u>-</u>	<u>91 385</u>	<u>-</u>
Deferred tax charged to the income statement for the period / year	<u>86 659</u>		<u>243 219</u>	

24-2 Unrecognized deferred tax assets

	31/3/2017	31/12/2016
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Unrecognized deferred tax assets	<u>550 957</u>	<u>570 082</u>

Deferred tax assets have not been recognized in respect of the above due to uncertainty of utilization of their benefits in the foreseeable future.



25. CAPITAL COMMITMENTS

The company's capital commitments for the unexecuted parts of contracts until March 31, 2017 amounted to L.E. 3 426 Million (against L.E. 2 921 Million as at December 31, 2016) includes the installments of payments of 4G license by an amount of L.E. 2 846 Million. paid in four equal installments by an amount of L.E. 235 Million and USD 26,4 Million in addition to investees' share in capital haven't been claimed yet by an amount of L.E. 1 million. These commitments are expected to be settled in the subsequent period except for the uncalled installments of investees' share in capital, which shall be settled when required by the Board of Directors of those investees companies.

26. CONTINGENT LIABILITIES

In addition to the amounts included in the condensed Separate balance sheet, the company has the following contingent liabilities:

	<u>31/3/2017</u> <u>LE (000)</u>	<u>31/12/2016</u> <u>LE (000)</u>
- Letters of guarantee issued by banks on behalf of the company*	610 165	613 668
- Letters of credit	606 315	373 301

* letters of guarantee which were issued by banks include letters of guarantee have been issued against restricted cash deposits (Note no.18)

27. TAX POSITION

27-1 Corporate tax

- Tax inspection was performed for the years till December 31, 2015 and all due taxes were settled.

27- 2 Sales Tax

- Tax inspection was performed for the years till December 31, 2010 and all due taxes were settled.
- Tax inspection for the years 2011 and 2012 was performed and the company was notified with the inspection differences and the company objected during the legal period and the differences are being discussed with the Appeals Committee.
- Tax inspection for the year 2013 was performed and the company was notified with inspection differences, the company objected on the disputed item on the due date and follow up the matter.
- Tax inspection for the year 2014 and 2015 is in process.

27- 3 Value Added Tax

- On September 7, 2016, Value added tax law no. 67 for the year 2016 was issued and to be effective starting from September 8,2016.
- Tax returns were submitted according to the value added tax law on the due legal dates.



*Notes To The Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2017 (continued)*

Translation from Arabic

27- 4 Salary Tax

- Tax inspection was performed for the years till December 31 ,2014, and the Company was notified with tax differences and all due taxes were settled.
- Tax inspection for the year 2015 is in process.

27- 5 Stamp Tax

- Tax inspection for the period from March 27, 1998 to December 31, 2000 was performed for certain sectors and the company was notified with tax differences, the company objected on the disputed items on the due dates.
- Tax inspection for the period from January 1, 2001 till July 31, 2006 was performed for certain sectors of the company and taxes due were settled. Tax inspection for the remaining sectors is currently being undertaken for the same period.
- Tax inspection for period from August 1, 2006 to December 31, 2012 was performed and due taxes were settled .
- Tax inspection for the years 2013 and 2014 was performed and the disputed items were settled except for the relative stamp on salaries and wages which have been transferred to the Appeal Committee.

27- 6 Real Estate Tax

- All taxes are paid according to the tax forms received by the company. The company's Legal Department follows up the disputes according to the real estate tax law.
- Tax returns were submitted according to the new real estate tax law No.196 for the year 2008 on the due dates. .
- The new tax law was came into force on 1/7/2013 and the received claims notice are being studied and taking the related legal actions.

Provisions were formed to meet any tax liabilities that may arise from the tax inspection.



**Notes To The Condensed Separate Interim Financial Statements
For The Three Months Ended March 31, 2017 (continued)**

Translation from Arabic

28. RELATED PARTY TRANSACTIONS

There are transactions between Telecom Egypt and its subsidiaries and associates and such transactions are approved by the company's management, the following statement contain the most important transactions during the financial period and the balances shown in the condensed separate interim financial statements date:

28-1 Transactions with subsidiaries

	Nature of transaction during the period	Amount of transactions during the period stated in the income statement		Movement during the period		Balance as of			
		L.E. 000	L.E. 000	Debit L.E. 000	Credit L.E. 000	31/3/2017		31/12/2016	
						Debit L.E. 000	Credit L.E. 000	Debit/(Credit) L.E. 000	Debit/(Credit) L.E. 000
<u>Debit balances included in trade receivables</u>									
- Egyptian Telecommunication Company for Information Systems	Lease of company premises, electricity claims, maintenance and Leased circuits	6 795	3 707	6 776	3 707	17 388		14 319	
- TE Data	Leased circuits and information network circuits	661 994		806 760	575 873	472 430		241 543	
- Middle East Radio Communication (MERC)	Leased information circuits	400		453	453	-		-	
- Jordanian Egyptian Company for data transfer	participation contract	4 154		-	4 057	(8 138)		(4 081)	
- Jordanian Egyptian Company for data transfer	The movement of international clearing	467		556	-	(1 653)		(2 209)	
		814 545	584 090	480 027	249 572				
<u>Debit balances included in debtors and other debit balances</u>									
- Egyptian Telecommunication Company for Information Systems	Purchasing of fixed assets	-	-	-	-	145		145	
- T E investment Holding	payments of expenses on behalf of the subsidiary company	-	23 010	-	23 010	-		23 010	
		-	23 010	-	23 010	145		23 155	
<u>Credit balances included in suppliers balances</u>									
- Centra for Technologies	Maintenance & supplying computers	4 071		17 308	51 262	(47 660)		(13 706)	
- Centra for Electronic Industries	Maintenance & supplying computers	358		468	413	(764)		(819)	
- TE Data	Purchasing of fixed assets and services rendered from subsidiary company	9 676		28 374	196 075	(410 573)		(242 872)	
- Egyptian Telecommunication Company for Information Systems	Services rendered from subsidiary company	19 694		20 436	19 694	(6 487)		(7 229)	
		66 586	267 444	(465 484)				(264 626)	
<u>Credit balance included in creditors and other credit balances</u>									
- TE Data	Supplying information technology equipment	-	193	-	193	(9 496)		(9 303)	
- T E investment Holding	Lease of premises	4	18	4	18	(14)		-	
- TE France	participation contract	7 190		-	7 205	(59 658)		(52 453)	
		4	7 416	(69 168)				(61 756)	



Notes To The Condensed Separate Interim Financial Statements
For The Three Months Ended March 31, 2017 (continued)

Translation from Arabic

28. RELATED PARTY TRANSACTIONS (continued)

28-2 Related party transactions with associates

Nature of transactions during the period	Amount of transactions during the period recorded in the income statement L.E. 000	Movement during the period		Balance as of	
		during the period		31/3/2017	
		Debit L.E. 000	Credit L.E. 000	Debit/(Credit) L.E. 000	Balance as of 31/12/2016 Debit/(Credit) L.E. 000
Outgoing calls and voice services to the associates company	432 263	1 540 443	1 374 244	(179 561)	(345 760)
Incoming and international calls, transmission claims premises and towers to the associates company	296 289	-	-	(179 561)	(345 760)
Paid on behalf of associates to finance operating expenses	-	-	-	453 902	453 902
		-	-	453 902	453 902
		-	-	66	66
		-	-	66	66

Balances included in trade receivables

- Vodafone Egypt Telecommunications Company

Debit balances included in debit balances - long term

- Consortium Algerien de Telecommunications (CAT)*

Debit balances included in debtors and other debit balances

- International Telecommunication Consortium Limited (ITCL)**

* Impairment was formed to this balance which represented in the value of the finance provided by Telecom Egypt to Consortium Algerian de Telecommunication Company (CAT) where Telecom Egypt participates directly and indirectly by 50%, this company suffers from financial difficulties and sustains material losses. The Extra-Ordinary General Assembly Meeting of the company (CAT) held on July 1, 2009 approved the dissolution and liquidation of the company. In the light of these circumstances, there is high probability that Telecom Egypt will not be able to collect the finance given to Consortium Algerian de Telecommunication Company.

**The balance is fully impaired due to company's inability to recover this amount in foreseeable future.



29. SIGNIFICANT CLAIMS AND LITIGATIONS

29-1 Interconnection dispute with Orange Egypt previously named Mobinil -

On September 2009, Orange Egypt had filed an Arbitration Case requesting the application of the interconnection rates mentioned in the signed agreements with TE, and objecting the application of NTRA abovementioned decisions, claiming that TE made a contractual violations by complaining at NTRA, also request damages for not entering into services level agreements related to the transmission leased line and International gateway service, also te had filed the Arbitration Case against Orange Egypt, that's where TE's management believes that Orange Egypt charged TE with rates exceeds the rates where Orange Egypt and other operator charging each other.

On March 29, 2015, The tribunal in Orange Egypt Case rejected Orange Egypt's request to apply the interconnection rates stated in the interconnection agreement, also the tribunal submit its interperetation to the Egyptian law and the principles that should be followed by both parties to agree on the interconnection rates. Also the tribunal rejected a part of TE's claims for the previous period years 2008, the Tribunal depute an expert to review Orange egypt claims whether from the principle or the amount claimed, and these claims still pending before Tribunal.

The company's legal advisor believes that the company has the right to apply the interconnection rates same as other mobile operators, and this opinion in the light of NTRA decisions that still in effect, the provisions Telecommunication law and Competition law.

The amount in dispute as per the company's record between TE and Orange Egypt in relation to the said dispute for the period from September 3, 2008 to the end of March 2017 is approximtely an amount of L.E 634 154 K.

29-2 Interconnection dispute with Vodafone Egypt

The Ordinary General Assembly dated March 30, 2016 approved the frame agreement of settling all the current disputes between TE and VFE and the same frame was approved by the Ordinary General Assembly of VFE dated April 13, 2016. Subject to such settlement, TE and VFE settled all disputes raised between both of them, till December 31, 2015.

29-3 Dispute with one of the investees

The company has filed an arbitration case against an investee, in which TE owns 25%, claiming compensations for breach of obligations stipulated in an agreement concluded between the company and the investee and requesting the termination of the said agreement. The investee has filed as well another arbitration case against TE claiming compensation for breaching of obligations stipulated in the same agreement.

On August 31, 2015, The tribunal rejected TE claims for compensations, it also decided that it has jurisdiction over the investee claims and decided to terminate the contract and awarded compensation to the investees. The company started to take the necessary legal actions to cease the implementation of such award according to acceptable law principals, as per the external advisor recommended to the company.

And the company's Board of Directors meeting held on January 20, 2016 and March 29, 2016 approved the frame agreement of settling all the current disputes between TE and the investee, the agreements which are related to the frame settlement were signed between the dispute parties on May 31, 2016.

The company has made the impairment loss on financial assets to cover any anticipated future loss, may arise as a result of the above cases.



30. Comparative figures

Restatements and Reclassifications were made to some of comparative figures of the condensed separate statement of financial position and condensed separate income statement to conform to the current presentation as follows:

30-1 Condensed Separate Statement of Financial Position

	<u>31/12/2016</u> <u>as previously</u> <u>reported</u> <u>LE(000)</u>	<u>Reclassification</u> <u>debit / (credit)</u> <u>LE(000)</u>	<u>31/12/2016</u> <u>Reclassified</u> <u>LE(000)</u>
Fixed assets	14 020 657	(148 395)	13 872 262
Other assets	1 215 509	148 395	1 363 904

30-2 Condensed Separate Income Statement

Restatements was made to comparative figures of the condensed separate income statement by an amount of L.E 79 514 K to depreciation and amortization item due to amended useful life of some fixed assets according to the technical report approved by the company's management according to Board of Directors decree which dated 8/5/2016 and starting from 1/1/2016.

	<u>For the three months ended</u> <u>31/3/2016</u> <u>as previously</u> <u>reported</u> <u>LE(000)</u>	<u>Restatements</u> <u>credit</u> <u>LE(000)</u>	<u>Reclassification</u> <u>(debit) / credit</u> <u>LE(000)</u>	<u>For the three months ended</u> <u>31/3/2016</u> <u>Restated</u> <u>LE(000)</u>
Operating cost	(1 424 848)	78 173	(62 492)	(1 409 167)
Selling and distribution expenses	(269 077)	-	13 818	(255 259)
General and administrative expenses	(437 300)	1 341	48 674	(387 285)
Basic earning per share	.43	.01	-	.44

31- SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed separate interim financial statements as of March 31, 2017 is the same as the accounting policies applied in the preparation of the annual separate financial statements as of December 31, 2016, these accounting policies have been applied consistently to all periods presented in these condensed separate interim financial.

Restatements and Reclassifications were made to some of comparative figures for the condensed separate interim financial statements (note no.30).